Essay: 30 points. Take Home Problem- Due Tuesday 12/10.

You can work individually or have up to 2 other partners- MAX 3.

Answer MUST BE TYPED.

Graphs of course can be handwritten

You do not have to do any research to answer these questions. The answers should simply be consistent with economic theory on costs of production. A strong response should also include caveats that are warranted by your choice(s). Use the terminology in Chapter 8 in your response.

**You are the owner of the 95/7 project in Norwalk- a large area currently vacant area with no buildings- Originally the plan was to build a hotel, and several apartment and commercial buildings. All has been largely put on hold due to the slow economy. You already own the land but are reconsidering the size and scope of the project. The following scenarios represent 4 different size projects that you may choose to implement in developing the area.**

**Scenario #1- 80 person hotel, 300 apartment units and 30,000 square feet of commercial space**

**Scenario #2- 150 person hotel, 500 apartment units and 50,000 square feet of commercial space**

**Scenario #3- 200 person hotel, 800 apartment units and 100,000 square feet of commercial space**

**Scenario #4- nothing, stop making payments of any kind on the property and let someone else take it over.**

Discuss your concerns from an **economic perspective** in analyzing the various scenarios above. You will need to discuss the following

1. What kind of fixed expenses do the owners of the complex continue to incur unless they choose Scenario #4
2. What are your short run versus long run concerns and how might the law of diminishing returns effect your decision making of which scenario you should employ?
3. What does the term minimum efficient scale mean and how do you think it applies in this situation?
4. Can the owners of the project make an accounting profit? Economic Profit? Discuss.